

Message Text

PAGE 01 STATE 169558
ORIGIN EA-06

INFO OCT-01 SS-14 ISO-00 ONY-00 /021 R

DRAFTED BY EA/EP:STAFF:SRP
APPROVED BY EA/EP:AALBRECHT
DESIRED DISTRIBUTION
EA ONLY

-----024766 060028Z /73

R 052034Z JUL 78
FM SECSTATE WASHDC
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 169558

LIMDIS; PASS USADB FOR AMBASSADOR ONLY

E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
JULY 5, 1978

1. PREPARATIONS FOR US-ASEAN MINISTERIAL (CONFIDENTIAL)

WE NEED SOME FIRM ASEAN REACTIONS TO OUR PROPOSED AGENDA
AND SCHEDULE AND THE VARIOUS QUESTIONS WE HAVE RAISED
BEFORE WE CAN GO MUCH FURTHER IN A NUMBER OF AREAS. WE
HOPE TO GET AT LEAST AN INITIAL REACTION WHEN EMBASSY
MANILA MEETS WITH MRS. MANALO JULY 7. SHE HAS BEEN OUT OF
THE COUNTRY SINCE THE ASEAN FOREIGN MINISTERS MEETING.
WE PARTICULARLY NEED EARLY CONFIRMATION ON WHETHER THE
ASEAN MINISTERS AGREE TO HAVING SOME OF THE EVENTS
SCHEDULED FOR THE AFTERNOON AND EVENING OF AUGUST 2.
ROMULO HAS INDICATED IT POSES NO PROBLEM FOR HIM. THE
MEETING TO GO OVER PREPARATIONS WITH THE ASEAN WASHINGTON
CONFIDENTIAL

PAGE 02 STATE 169558

COMMITTEE IS SET FOR JULY 10.

THERE ARE ONLY SCATTERED REACTIONS IN SO FAR ON THE
APPROACHES YOU REQUESTED OUR AMBASSADORS TO MAKE TO HELP
CLARIFY MISINTERPRETATIONS OF OUR INTENTIONS AND TO
STIMULATE MORE ACTIVE COOPERATIVE ASEAN PREPARATIONS.
FURTHER CONTACTS ARE PLANNED IN MOST CASES WHERE WE HAVE

PRELIMINARY REPORTS. THE MOST DEFINITIVE RESPONSE IS
FROM SINGAPORE WHERE FOREIGN MINISTER RAJARATNAM STRESSED

THE NEED FOR A PUBLIC "COMMITMENT" ON AFFIRMATION THAT THE ASEAN COUNTRIES ARE IMPORTANT TO US INTERESTS, BOTH POLITICALLY AND ECONOMICALLY, COUPLED WITH MORE ATTENTION FROM US POLICY MAKERS, E.G. BY CONSULTING WITH ASEAN BEFORE FINAL DECISIONS ARE MADE. THE THAIS EMPHASIZED THAT THE RTG CONTINUES TO HOPE FOR CONCRETE RESULTS IN THE ECONOMIC FIELD, BUT THOUGHT THAT THE FOREIGN MINISTERS WILL WANT SOME EXCHANGES ON THE OVERALL SITUATION IN SOUTHEAST ASIA. EMBASSY SOUNDINGS FIND NO BASIS WHATSOEVER FOR THE REPORT FROM ANOTHER SOURCE THAT THE THAIS ARE EXPECTING US TO MATCH JAPAN'S OFFER OF ONE BILLION IN FINANCING FOR THE INDUSTRIAL PROJECTS. GOP MINISTER OF FINANCE VIRATA SAID THERE IS A CONSENSUS AMONG THE ASEAN ECONOMIC MINISTERS THAT THE ECONOMIC FOCUS SHOULD BE ON MARKET ACCESS, INVESTMENT AND TRADE WITH DEVELOPMENT COOPERATION TAKEN UP LATE IN THE SCHEDULE. HE REMARKED THAT MUCH OF THE DEVELOPMENT COOPERATION AGENDA IS COVERED IN OUR BILATERAL AID PROGRAMS.

2. MTN (LIMITED OFFICIAL USE)

WITH ONLY A WEEK AND A HALF TO GO BEFORE THE JULY 15 DEADLINE FOR POLITICAL SETTLEMENT IN THE MTN, THE US CONFIDENTIAL

PAGE 03 STATE 169558

TRADE NEGOTIATING TEAM HAS MOVED TO GENEVA FOR THE FINAL PUSH. THE MAJOR STUMBLING BLOCKS TO AN AGREEMENT BY THAT DATE ARE DIFFERENCES ON SELECTIVE SAFEGUARDS, SUBSIDIES AND AGRICULTURAL ISSUES. AT A FULL TRADE NEGOTIATING COMMITTEE MEETING ON JULY 3, THE LDCS STRESSED THAT THEIR INTEREST IS NOT LIMITED TO SPECIAL AND DIFFERENTIAL TREATMENT AND THAT THEY ARE APPREHENSIVE OF COMING OUT OF THE NEGOTIATIONS WITH A "NEGATIVE BALANCE SHEET". THE ISSUES OF SAFEGUARDS AND LDC OBLIGATIONS ON THE USE OF SUBSIDIES ARE CRUCIAL TO THE GENERAL ACCEPTANCE OF THE MTN PACKAGE BY THE LDCS.

NEGOTIATIONS ARE GOING ON WITH ALL THE ASEAN COUNTRIES, AND WRITTEN OFFERS CAME FROM THAILAND AND SINGAPORE LAST WEEK. US NEGOTIATORS ARE ENTHUSIASTIC ABOUT KOREA'S CONDUCT IN THE MTN. HOWEVER, CONCERN IS GROWING THAT THE PHILIPPINES MAY NOT MAKE AN ACCEPTABLE OFFER BEFORE JULY 15, WITH THE RESULT BEING A WITHDRAWAL OF ITEMS OF SPECIAL INTEREST TO THE PHILIPPINES FROM OUR OFFER.

3. COMMON FUND (CONFIDENTIAL)

AN INFORMAL MEETING IN GENEVA ON THE COMMON FUND LAST WEEK REVEALED NO MOVEMENT BY THE G-77 ON THE SUBSTANTIVE ISSUES OF FINANCING, OTHER MEASURES, AND ORGANIZATION AND VOTING. WHILE THE US SUGGESTED THAT FURTHER INFORMAL

CONSULTATIONS WOULD BE USEFUL, IT WAS GENERALLY FELT THAT DIFFERENCES HAVE BEEN NARROWED AS MUCH AS THEY CAN BE OUTSIDE OF FORMAL NEGOTIATIONS. ALTHOUGH THE ISSUE OF RESUMPTION IS UNSETLED, IT IS LIKELY THAT UNCTAD SECRETARY GENERAL COREA WILL RECOMMEND RESUMPTION IN LATE FALL.

4. SECTION 911 (UNCLASSIFIED)

CONFIDENTIAL

PAGE 04 STATE 169558

THE BILL TO AMEND SECTION 911 APPROVED JUNE 28 BY THE WAGGONER SUBCOMMITTEE OF WAYS AND MEANS WOULD SHELTER ABOUT 85 PERCENT OF INCOME EARNED BY PRIVATE CITIZENS ABROAD, MORE THAN DOUBLE THE ADMINISTRATION'S PROPOSAL. IT WOULD PROVIDE A FLAT EXCLUSION OF 20,000 DOLLARS TO 25,000 DOLLARS (APPLICABLE EVERYWHERE BUT CANADA AND WESTERN EUROPE). IN ADDITION, DEDUCTIONS WOULD BE PERMITTED FOR COST OF LIVING EXCEEDING WASHINGTON, D.C., HOUSING EXPENSES ABOVE ONE-SIXTH OF "BASE COMPENSATION", REASONABLE COST OF EDUCATION K THROUGH 12, AND ONE FAMILY HOME LEAVE TRIP ANNUALLY. DEDUCTIONS WERE ALSO LIBERALIZED FOR TEMPORARY LIVING ARRANGEMENTS AND MOVING EXPENSES, AS WELL AS MEALS AND LODGING FURNISHED BY THE EMPLOYER. THE MINIMUM PERIOD OF RESIDENCE ABROAD (17 OR 18 CONSECUTIVE MONTHS) WOULD BE REMOVED. FULL COMMITTEE MARKUP HAS NOT YET BEEN SCHEDULED, BUT IS EXPECTED TO BEGIN SHORTLY.

5. ADB TECHNICAL ASSISTANCE SPECIAL FUND (TASF)
(LIMITED OFFICIAL USE)

IN RECENT MONTHS FOUR ADB MEMBERS HAVE OFFERED TO MAKE ADDITIONAL CONTRIBUTIONS TO THE TASF. IN EQUIVALENT AMOUNTS IN THOUSANDS OF DOLLARS THESE OFFERS ARE: AUSTRALIA, 220; KOREA, 150; PAKISTAN, 70; AND UK, 570. THE CONTRIBUTIONS, HOWEVER, ARE GENERALLY TIED TO PROCUREMENT FROM THE DONOR COUNTRY. AS OF THE END OF 1977, TOTAL TASF CONTRIBUTIONS AMOUNTED TO OVER 31 MILLION DOLLARS, OF WHICH THE US HAD CONTRIBUTED 1.25 MILLION DOLLARS. OUR LAST CONTRIBUTION WAS MADE IN 1969.EVEN THOUGH OVER HALF OF THE CONTRIBUTIONS HAVE NOT YET BEEN USED, THE US CONTRIBUTION IS FULLY COMMITTED. AS A RESULT, US PROCUREMENT MAY BE AFFECTED BECAUSE OF THE TIED

CONFIDENTIAL

PAGE 05 STATE 169558

RESTRICTIONS OF OTHER DONORS. OMB HAS TURNED DOWN SEVERAL INTERAGENCY REQUESTS TO MAKE AN ADDITIONAL CONTRIBUTION PRIMARILY BECAUSE OF CONGRESSIONAL CONCERN OVER THE PROLIFERATION OF AID SPIGOTS AND THE AVAILABILITY

OF ADB INCOME TO PAY FOR TECHNICAL ASSISTANCE ACTIVITIES.

TREASURY AND STATE ARE CURRENTLY PREPARING A REQUEST TO ASK OMB TO AGREE TO A ONE MILLION DOLLAR CONTRIBUTION IN THE FY 1980 BUDGET REQUEST. THIS REQUEST WILL EVENTUALLY HAVE TO BE RAISED AT A HIGH LEVEL BECAUSE OF OMB OBDURATENESS.

6. ADB STAFF REORGANIZATION (LIMITED OFFICIAL USE)

THE ADB MANAGEMENT HAS PROPOSED RESTRUCTURING OPERATIONAL FUNCTIONS BY CREATING SEVERAL NEW DEPARTMENTS AND OFFICES RESULTING IN A NET ADDITION OF TEN PROFESSIONAL AND TEN SUPPORTING STAFF. BOARD MEMBERS GENERALLY FAVOR THE PROPOSAL BUT SUGGEST THAT THE NEW POST-EVALUATION OFFICE SHOULD BE UP-GRADED. NEW VP, STAN KATZ, TOLD US DURING A RECENT WASHINGTON VISIT THAT THE BANK NEEDED TO MODERNIZE ITS ADMINISTRATIVE OPERATIONS AND TO RECRUIT A NUMBER OF NEW PERSONNEL. KATZ, WOULD LIKE TO EXPLORE FURTHER SECONDMENT OF USG PERSONNEL IN ORDER TO BRING IN NEW BLOOD AND BALANCE OUT RECRUITMENT OF JAPANESE AND SOUTH ASIANS. HE BELIEVES THE BANK APPROPRIATELY FOCUSED ON LOAN OPERATIONS DURING ITS FIRST TEN YEARS BUT NOW NEEDS TO SHIFT ATTENTION TO IMPROVING FINANCIAL AND ADMINISTRATIVE ACTIVITIES. KATZ IS VERY POSITIVE ABOUT HIS NEW JOB. HE SAYS THAT HE IS GETTING ALONG WELL WITH THE STAFF AND IS FULLY ENGROSSED IN A DEMANDING JOB.

7. HONG KONG AMCHAM REPORTS ON TRIP TO SRV (UNCLASSIFIED)

A FIVE-MAN HONG KONG AMCHAM DELEGATION SPENT ONE WEEK IN HANOI AND SAIGON DISCUSSING WITH SENIOR VIETNAMESE
CONFIDENTIAL

PAGE 06 STATE 169558

OFFICIALS SRV BUSINESS OPPORTUNITIES. AN AMCHAM PRESS RELEASE STATED THAT VIETNAM OFFERED CONSIDERABLE OPPORTUNITY FOR US INVESTMENT AND TRADE AND THE ADMINISTRATION'S EMBARGO WAS THE ONLY OBSTACLE TO TRADE BECAUSE THE VIETNAMESE WERE WILLING TO DO BUSINESS IMMEDIATELY. THE PRESS RELEASE ADDED THAT THERE SHOULD BE A SEPARATION OF BUSINESS AND POLITICS AND THE EMBARGO ONLY DENIED US COMPANIES THE OPPORTUNITY TO COMPETE. IN A DETAILED BRIEFING ON THE VIETNAMESE PETROLEUM INDUSTRY, SRV OFFICIALS REPORTEDLY BELIEVE OIL PRODUCTION WILL BOOST ITS ECONOMY AND AMERICAN PARTICIPATION WOULD HELP DEVELOP OIL DEPOSITS QUICKLY. SRV OFFICIALS ALSO ASKED FOR US HELP IN PROCESSING FUTURE CRUDE OIL PRODUCTION. THE HONG KONG CHAMBER NOW PLANS TO SEND SPECIALIZED GROUPS TO THE SRV TO FOLLOW UP ON THE VISIT.

WE EXPECT A RESOLUTION CONCERNING THE US EMBARGO TO BE PRESENTED AT THE NEXT APCAC SEMI-ANNUAL MEETING IN KYOTO

IN OCTOBER. APCAC HAS INVITED USG OFFICIALS TO

PARTICIPATE IN THE DISCUSSION OF THIS RESOLUTION.

8. REVISED ECONOMIC ALERT LIST (EAL) PROCEDURES
(LIMITED OFFICIAL USE)

THE DEPARTMENT WILL ONLY PREPARE AN EAL FOR CHINA/NORTH ASIA ONCE A YEAR RATHER THAN EACH QUARTER. IN ADDITION, IT PLANS TO SEND BY CABLE THE HIGHLIGHTS OF THE EAL. THESE CHANGES, WHICH MAY ALSO BE APPLIED TO SOUTH ASIA, INDICATE THAT POSTS WILL RELY PRIMARILY ON THE BUREAU FOR ECONOMIC REPORTING GUIDANCE. ERLAND HAS INSTITUTED A QUARTERLY LETTER TO ALL EA ECONOMIC/COMMERCIAL COUNSELORS OR THEIR EQUIVALENTS TO OUTLINE OUR REPORTING PRIORITIES

CONFIDENTIAL

PAGE 07 STATE 169558

AND INTERESTS. HIS FIRST LETTER OF EARLY JUNE HAS SO FAR GENERATED LITTLE COMMENT FROM THE POSTS. WE HOPE, HOWEVER, THAT THESE REGULAR COMMUNICATIONS WILL STIMULATE A DIALOGUE WITH THE FIELD REGARDING REPORTING AND THE FLOW OF INFORMATION.

VANCE

CONFIDENTIAL

PAGE 01 STATE 169558
ORIGIN EA-06

INFO OCT-01 SS-05 ISO-00 /012 R

66011
DRAFTED BY EA/EP:WRWARNE
APPROVED BY EA/EP:WRWARNE

-----035042 061934Z /45

R 061619Z JUL 78
FM SECSTATE WASHDC
TO USS HAROLD HOLT

C O N F I D E N T I A L STATE 169558

LIMDIS HAROLD HOLT PASS ASST SECRETARY HOLBROOK ONLY

FOLLOWING REPEAT STATE 169558 ACTION ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

QUOTE O N F I D E N T I A L STATE 169558

LIMDIS; PASS USADB FOR AMBASSADOR ONLY

E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
JULY 5, 1978

1. PREPARATIONS FOR US-ASEAN MINISTERIAL (CONFIDENTIAL)

WE NEED SOME FIRM ASEAN REACTIONS TO OUR PROPOSED AGENDA
AND SCHEDULE AND THE VARIOUS QUESTIONS WE HAVE RAISED
BEFORE WE CAN GO MUCH FURTHER IN A NUMBER OF AREAS. WE
HOPE TO GET AT LEAST AN INITIAL REACTION WHEN EMBASSY
MANILA MEETS WITH MRS. MANALO JULY 7. SHE HAS BEEN OUT OF
CONFIDENTIAL

PAGE 02 STATE 169558

THE COUNTRY SINCE THE ASEAN FOREIGN MINISTERS MEETING.
WE PARTICULARLY NEED EARLY CONFIRMATION ON WHETHER THE
ASEAN MINISTERS AGREE TO HAVING SOME OF THE EVENTS
SCHEDEDULE FOR THE AFTERNOON AND EVENING OF AUGUST 2.
ROMULO HAS INDICATED IT POSES NO PROBLEM FOR HIM. THE
MEETING TO GO OVER PREPARATIONS WITH THE ASEAN WASHINGTON
COMMITTEE IS SET FOR JULY 10.

THERE ARE ONLY SCATTERED REACTIONS IN SO FAR ON THE
APPROACHES YOU REQUESTED OUR AMBASSADORS TO MAKE TO HELP
CLARIFY MISINTERPRETATIONS OF OUR INTENTIONS AND TO
STIMULATE MORE ACTIVE COOPERATIVE ASEAN PREPARATIONS.
FURTHER CONTACTS ARE PLANNED IN MOST CASES WHERE WE HAVE

PRELIMINARY REPORTS. THE MOST DEFINITIVE RESPONSE IS
FROM SINGAPORE WHERE FOREIGN MINISTER RAJARATNAM STRESSED
THE NEED FOR A PUBLIC "COMMITMENT" ON AFFIRMATION THAT THE
ASEAN COUNTRIES ARE IMPORTANT TO US INTERESTS, BOTH
POLITICALLY AND ECONOMICALLY, COUPLED WITH MORE ATTENTION
FROM US POLICY MAKERS, E.G. BY CONSULTING WITH ASEAN
BEFORE FINAL DECISIONS ARE MADE. THE THAIS EMPHASIZED
THAT THE RTG CONTINUES TO HOPE FOR CONCRETE RESULTS IN
THE ECONOMIC FIELD, BUT THOUGHT THAT THE FOREIGN MINISTERS
WILL WANT SOME EXCHANGES ON THE OVERALL SITUATION IN
SOUTHEAST ASIA. EMBASSY SOUNDINGS FIND NO BASIS WHATSOEVER
FOR THE REPORT FROM ANOTHER SOURCE THAT THE THAIS
ARE EXPECTING US TO MATCH JAPAN'S OFFER OF ONE BILLION IN
FINANCING FOR THE INDUSTRIAL PROJECTS. GOP MINISTER OF
FINANCE VIRATA SAID THERE IS A CONSENSUS AMONG THE ASEAN
ECONOMIC MINISTERS THAT THE ECONOMIC FOCUS SHOULD BE ON
MARKET ACCESS, INVESTMENT AND TRADE WITH DEVELOPMENT
COOPERATION TAKEN UP LATE IN THE SCHEDULE. HE REMARKED
THAT MUCH OF THE DEVELOPMENT COOPERATION AGENDA IS
CONFIDENTIAL

PAGE 03 STATE 169558

COVERED IN OUR BILATERAL AID PROGRAMS.

2. MTN (LIMITED OFFICIAL USE)

WITH ONLY A WEEK AND A HALF TO GO BEFORE THE JULY 15 DEADLINE FOR POLITICAL SETTLEMENT IN THE MTN, THE US TRADE NEGOTIATING TEAM HAS MOVED TO GENEVA FOR THE FINAL PUSH. THE MAJOR STUMBLING BLOCKS TO AN AGREEMENT BY THAT DATE ARE DIFFERENCES ON SELECTIVE SAFEGUARDS, SUBSIDIES AND AGRICULTURAL ISSUES. AT A FULL TRADE NEGOTIATING COMMITTEE MEETING ON JULY 3, THE LDCS STRESSED THAT THEIR INTEREST IS NOT LIMITED TO SPECIAL AND DIFFERENTIAL TREATMENT AND THAT THEY ARE APPREHENSIVE OF COMING OUT OF THE NEGOTIATIONS WITH A "NEGATIVE BALANCE SHEET". THE ISSUES OF SAFEGUARDS AND LDC OBLIGATIONS ON THE USE OF SUBSIDIES ARE CRUCIAL TO THE GENERAL ACCEPTANCE OF THE MTN PACKAGE BY THE LDCS.

NEGOTIATIONS ARE GOING ON WITH ALL THE ASEAN COUNTRIES, AND WRITTEN OFFERS CAME FROM THAILAND AND SINGAPORE LAST WEEK. US NEGOTIATORS ARE ENTHUSIASTIC ABOUT KOREA'S CONDUCT IN THE MTN. HOWEVER, CONCERN IS GROWING THAT THE PHILIPPINES MAY NOT MAKE AN ACCEPTABLE OFFER BEFORE JULY 15, WITH THE RESULT BEING A WITHDRAWAL OF ITEMS OF SPECIAL INTEREST TO THE PHILIPPINES FROM OUR OFFER.

3. COMMON FUND (CONFIDENTIAL)

AN INFORMAL MEETING IN GENEVA ON THE COMMON FUND LAST WEEK REVEALED NO MOVEMENT BY THE G-77 ON THE SUBSTANTIVE ISSUES OF FINANCING, OTHER MEASURES, AND ORGANIZATION AND VOTING. WHILE THE US SUGGESTED THAT FURTHER INFORMAL CONSULTATIONS WOULD BE USEFUL, IT WAS GENERALLY FELT THAT DIFFERENCES HAVE BEEN NARROWED AS MUCH AS THEY CAN BE OUTSIDE OF FORMAL NEGOTIATIONS. ALTHOUGH THE ISSUE OF CONFIDENTIAL

PAGE 04 STATE 169558

RESUMPTION IS UNSETTLED, IT IS LIKELY THAT UNCTAD SECRETARY GENERAL COREA WILL RECOMMEND RESUMPTION IN LATE FALL.

4. SECTION 911 (UNCLASSIFIED)

THE BILL TO AMEND SECTION 911 APPROVED JUNE 28 BY THE WAGGONER SUBCOMMITTEE OF WAYS AND MEANS WOULD SHELTER ABOUT 85 PERCENT OF INCOME EARNED BY PRIVATE CITIZENS ABROAD, MORE THAN DOUBLE THE ADMINISTRATION'S PROPOSAL. IT WOULD PROVIDE A FLAT EXCLUSION OF 20,000 DOLLARS TO 25,000 DOLLARS (APPLICABLE EVERYWHERE BUT CANADA AND WESTERN EUROPE). IN ADDITION, DEDUCTIONS WOULD BE

PERMITTED FOR COST OF LIVING EXCEEDING WASHINGTON, D.C.,
HOUSING EXPENSES ABOVE ONE-SIXTH OF "BASE COMPENSATION",
REASONABLE COST OF EDUCATION K THROUGH 12, AND ONE FAMILY
HOME LEAVE TRIP ANNUALLY. DEDUCTIONS WERE ALSO LIBERALI-
ZED FOR TEMPORARY LIVING ARRANGEMENTS AND MOVING EXPENSES,
AS WELL AS MEALS AND LODGING FURNISHED BY THE EMPLOYER.
THE MINIMUM PERIOD OF RESIDENCE ABROAD (17 OR 18
CONSECUTIVE MONTHS) WOULD BE REMOVED. FULL COMMITTEE
MARKUP HAS NOT YET BEEN SCHEDULED, BUT IS EXPECTED TO
BEGIN SHORTLY.

5. ADB TECHNICAL ASSISTANCE SPECIAL FUND (TASF)
(LIMITED OFFICIAL USE)

IN RECENT MONTHS FOUR ADB MEMBERS HAVE OFFERED TO MAKE
ADDITIONAL CONTRIBUTIONS TO THE TASF. IN EQUIVALENT
AMOUNTS IN THOUSANDS OF DOLLARS THESE OFFERS ARE:
AUSTRALIA, 220; KOREA, 150; PAKISTAN, 70; AND UK, 570.
THE CONTRIBUTIONS, HOWEVER, ARE GENERALLY TIED TO
PROCUREMENT FROM THE DONOR COUNTRY. AS OF THE END OF 1977,
CONFIDENTIAL

PAGE 05 STATE 169558

TOTAL TASF CONTRIBUTIONS AMOUNTED TO OVER 31 MILLION
DOLLARS, OF WHICH THE US HAD CONTRIBUTED 1.25 MILLION
DOLLARS. OUR LAST CONTRIBUTION WAS MADE IN 1969.EVEN
THOUGH OVER HALF OF THE CONTRIBUTIONS HAVE NOT YET BEEN
USED, THE US CONTRIBUTION IS FULLY COMMITTED. AS A RESULT,
US PROCUREMENT MAY BE AFFECTED BECAUSE OF THE TIED
RESTRICTIONS OF OTHER DONORS. OMB HAS TURNED DOWN
SEVERAL INTERAGENCY REQUESTS TO MAKE AN ADDITIONAL
CONTRIBUTION PRIMARILY BECAUSE OF CONGRESSIONAL CONCERN
OVER THE PROLIFERATION OF AID SPIGOTS AND THE AVAILABILITY
OF ADB INCOME TO PAY FOR TECHNICAL ASSISTANCE ACTIVITIES.

TREASURY AND STATE ARE CURRENTLY PREPARING A REQUEST TO
ASK OMB TO AGREE TO A ONE MILLION DOLLAR CONTRIBUTION IN
THE FY 1980 BUDGET REQUEST. THIS REQUEST WILL EVENTUALLY
HAVE TO BE RAISED AT A HIGH LEVEL BECAUSE OF OMB
OBSTACLES.

6. ADB STAFF REORGANIZATION (LIMITED OFFICIAL USE)

THE ADB MANAGEMENT HAS PROPOSED RESTRUCTURING OPERATIONAL
FUNCTIONS BY CREATING SEVERAL NEW DEPARTMENTS AND OFFICES
RESULTING IN A NET ADDITION OF TEN PROFESSIONAL AND TEN
SUPPORTING STAFF. BOARD MEMBERS GENERALLY FAVOR THE
PROPOSAL BUT SUGGEST THAT THE NEW POST-EVALUATION OFFICE
SHOULD BE UP-GRADED. NEW VP, STAN KATZ, TOLD US DURING
A RECENT WASHINGTON VISIT THAT THE BANK NEEDED TO
MODERNIZE ITS ADMINISTRATIVE OPERATIONS AND TO RECRUIT
A NUMBER OF NEW PERSONNEL. KAT, WOULD LIKE TO EXPLORE
FURTHER SECNDMENT OF USG PERSONNEL IN ORDER TO BRING IN

NEW BLOOD AND BALANCE OUT RECRUITMENT OF JAPANESE AND SOUTH ASIANS. HE BELIEVES THE BANK APPROPRIATELY FOCUSED ON LOAN OPERATIONS DURING ITS FIRST TEN YEARS BUT NOW NEEDS TO SHIFT ATTENTION TO IMPROVING FINANCIAL AND ADMINISTRATIVE ACTIVITIES. KATZ IS VERY POSITIVE ABOUT HIS NEW JOB. HE SAYS THAT HE IS GETTING ALONG WELL WITH CONFIDENTIAL

PAGE 06 STATE 169558

THE STAFF AND IS FULLY ENGROSSED IN A DEMANDING JOB.

7. HONG KONG AMCHAM REPORTS ON TRIP TO SRV (UNCLASSIFIED)

A FIVE-MAN HONG KONG AMCHAM DELEGATION SPENT ONE WEEK IN HANOI AND SAIGON DISCUSSING WITH SENIOR VIETNAMESE OFFICIALS SRV BUSINESS OPPORTUNITIES. AN AMCHAM PRESS RELEASE STATED THAT VIETNAM OFFERED CONSIDERABLE OPPORTUNITY FOR US INVESTMENT AND TRADE AND THE ADMINISTRATION'S EMBARGO WAS THE ONLY OBSTACLE TO TRADE BECAUSE THE VIETNAMESE WERE WILLING TO DO BUSINESS IMMEDIATELY. THE PRESS RELEASE ADDED THAT THERE SHOULD BE A SEPARATION OF BUSINESS AND POLITICS AND THE EMBARGO ONLY DENIED US COMPANIES THE OPPORTUNITY TO COMPETE. IN A DETAILED BRIEFING ON THE VIETNAMESE PETROLEUM INDUSTRY, SRV OFFICIALS REPORTEDLY BELIEVE OIL PRODUCTION WILL BOOST ITS ECONOMY AND AMERICAN PARTICIPATION WOULD HELP DEVELOP OIL DEPOSITS QUICKLY. SRV OFFICIALS ALSO ASKED FOR US HELP IN PROCESSING FUTURE CRUDE OIL PRODUCTION. THE HONG KONG CHAMBER NOW PLANS TO SEND SPECIALIZED GROUPS TO THE SRV TO FOLLOW UP ON THE VISIT.

WE EXPECT A RESOLUTION CONCERNING THE US EMBARGO TO BE PRESENTED AT THE NEXT APCAC SEMI-ANNUAL MEETING IN KYOTO IN OCTOBER. APCAC HAS INVITED USG OFFICIALS TO

PARTICIPATE IN THE DISCUSSION OF THIS RESOLUTION.

8. REVISED ECONOMIC ALERT LIST (EAL) PROCEDURES
(LIMITED OFFICIAL USE)

THE DEPARTMENT WILL ONLY PREPARE AN EAL FOR CHINA/NORTH ASIA ONCE A YEAR RATHER THAN EACH QUARTER. IN ADDITION, CONFIDENTIAL

PAGE 07 STATE 169558

IT PLANS TO SEND BY CABLE THE HIGHLIGHTS OF THE EAL. THESE CHANGES, WHICH MAY ALSO BE APPLIED TO SOUTH ASIA, INDICATE THAT POSTS WILL RELY PRIMARILY ON THE BUREAU FOR ECONOMIC REPORTING GUIDANCE. ERLAND HAS INSTITUTED A QUARTERLY LETTER TO ALL EA ECONOMIC/COMMERCIAL COUNSELORS OR THEIR EQUIVALENTS TO OUTLINE OUR REPORTING PRIORITIES AND INTERESTS. HIS FIRST LETTER OF EARLY JUNE HAS SO FAR

GENERATED LITTLE COMMENT FROM THE POSTS. WE HOPE,
HOWEVER, THAT THESE REGULAR COMMUNICATIONS WILL STIMULATE
A DIALOGUE WITH THE FIELD REGARDING REPORTING AND THE
FLOW OF INFORMNFORMATION. VANCE UNQUOTE VANCE

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptoning: Z
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE169558
Document Source: ADS
Document Unique ID: 00
Drafter: EA/EP:STAFF:SRP
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D780276-0648
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197807106/baaaezdd.tel
Line Count: 494
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: e76d566b-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1856619
Secure: OPEN
Status: NATIVE
Subject: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT, JULY 5, 1978
TAGS: EGEN, ECON, XC, XE, XP
To: ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/e76d566b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014